PUBLICATION SNAPSHOT

SERVICE DISTRIBUTION

Making the Hard Choices

Increasingly essential, service distribution planning has become a matter of "when," not "if." What does it take to forge ahead with this politically charged endeavor while minimizing pitfalls?

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SERVICE DISTRIBUTION: MAKING THE HARD CHOICES

Given the volatility of today's health care environment, chances are high most health systems will need to evaluate service distribution—which services are being offered across the enterprise and where—at some point in the near future. But redistributing services is challenging. A systematic approach requires recognizing the triggers, scope and configuration options for the organization.

MARKET, ORGANIZATIONAL TRIGGERS DRIVE SERVICE DISTRIBUTION

For many organizations, a wide range of forces, either external or internal, are making service distribution planning worth the time and effort—if not compulsory.

MARKET TRIGGERS

TRIGGER
Demographic or economic trends/events
• Projected shifts in the population, including aging
• Departure or arrival of a major employer
Payer actions
• Declining payment
• Narrow network
• Site-neutral payment
• Changes in payer mix
Guidelines and mandates
• Volume thresholds to ensure quality
• National safety measures
• State-specific regulations
Movement toward value-based care
• Consolidation of payers or providers (other health systems; physician groups)
• Consumerism: rise in consumer-directed health plans, shift of customers to retail platforms
• Convergence: competitor starting or acquiring health plan; payer acquiring provider organization; funders working directly with providers
• Cohesion: expansion and success of value-based models; adoption and diffusion of information technologies (eg, health information exchanges)

ORGANIZATIONAL TRIGGERS

TRIGGER
Consolidation
• Overlapping geographies
• Services cannibalizing each other
Volumes, margins
• Declining volumes or margins for certain services at certain locations
Capacity issues
• Overbedding/low occupancy
Suboptimal organizational scale or scope
• High cost structure due to lack of scale
• Organizational size and complexity making management difficult
Facility/equipment needs
• Aging facilities
• Need for acquisition or replacement of capital equipment
Provider alignment and recruiting
• Shifts in provider loyalty/alignment patterns
• Difficulty recruiting specialists/subspecialists, nursing support

SPECTRUM OF SERVICE DISTRIBUTION PLANNING

SERVICE LINE More frequent, less difficult, fewest stakeholders	**CAMPUS LEVEL**	**ENTERPRISE WIDE** Less frequent, more difficult, most stakeholders
• Service line with declining volumes	• Two or more facilities/service offerings within the same catchment area	• Declining volumes market wide
• Notable demographic shift affecting a single service (eg, high growth among women aged 18–44)	• Viability of maintaining duplicate offerings likely to be challenged in the future	• Major campus refresh planning at 1 or more campuses

SERVICE DISTRIBUTION CONSIDERATIONS BY ORGANIZATION TYPE

The starting points for considering service realignment may vary by type of health care organization.

ACADEMIC MEDICAL CENTER

- Are capacity issues and/or the growth of tertiary and quaternary care on the main campus mandating a review of service distribution or partnership?
- Are payers beginning to actively steer business away from the main campus because of high prices and overhead costs?
- Could services be spread to other campuses or partner sites to improve performance (quality and/or cost) or market share?
- Do evolving models of research and education require a reconsideration of where those activities take place?
- With the organization's status as a hub, do evolving virtual health capabilities offer new possibilities for service distribution?

COMMUNITY HEALTH SYSTEM

- Does the current array of services and sites set the organization up to achieve its long-term strategic goals?
- Is the system positioned to compete in an increasingly consumer-savvy, price-sensitive ambulatory market?
- Are there redundancies across campuses that could be eliminated by realigning services?
- Are payers or employers contracting on the basis of service location, access and price?
- Do subscale sites of care acquired as part of the system's physician alignment strategy suggest the need to rejigger ambulatory service locations?
- How can evolving virtual health models extend the reach of specialists and primary care physicians over a larger geography?

RURAL HOSPITAL

- How sustainable is the current footprint of inpatient and outpatient services in the market(s) the hospital serves?
- Does the hospital's relationship with a larger system or partner provide opportunities to deliver better care locally while directing some patients to other locations in the region?
- Are workforce recruiting constraints forcing a new look at the portfolio of services that can be delivered in the current locations?
- With the organization's status as a spoke, do evolving virtual health capabilities offer new possibilities for service distribution?

For a detailed look at this topic, see the full report, *Service Distribution: Making the Hard Choices*.

UNDERSTAND CONFIGURATION OPTIONS

Services can be redistributed across the enterprise in myriad configurations, depending on its mission, strategic objectives, organizational characteristics, geographic footprint and competitive landscape. For planning purposes, however, 3 basic options are a logical starting point for hypothesis building and analysis.

COMMON CONFIGURATION OPTIONS

CENTRALIZED (HUB AND SPOKE)

DEFINITION

- Comprehensive services (including advanced technologies) centralized at a single facility
- Intermediate and basic services at multiple other sites

STRATEGIC RATIONALE

- Most efficient
- Facilitates "one-stop shopping" convenience
- Elevates brand with flagship site
- Consolidates advanced services and technologies
- Clarifies site roles

OPTIMAL MARKET DYNAMICS

- Presence of an academic medical center (or equivalent in market)
- Market dominated by 2 or 3 health systems
- Health systems serving a regional population (eg, statewide catchment area)

MULTIHUB

DEFINITION

- Comprehensive services and advanced technologies at 2 or more main sites
- Intermediate and basic services at multiple other sites

STRATEGIC RATIONALE

- Accommodates patients already oriented toward either hub
- Reduces patient and provider travel times
- Provides elements of local differentiation
- Eases coordination

OPTIMAL MARKET DYNAMICS

- Sites spanning a wide geography or substantive geographic boundaries
- Demographics justifying multiple comprehensive sites
- Competitor threats requiring more than 1 hub

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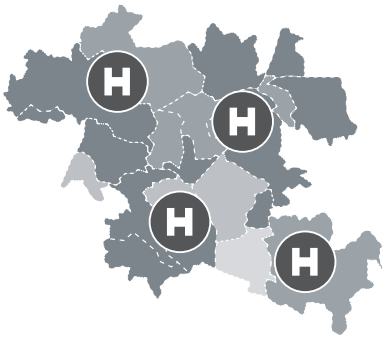

DEFINITION

- A mixture of comprehensive, intermediate and basic services at multiple sites
- Often the status quo/starting point of the planning process

STRATEGIC RATIONALE

- Offers retail convenience across multiple sites
- Brings services into local communities
- Minimizes patient and provider travel times
- Eases coordination
- Can be used to open new markets

OPTIMAL MARKET DYNAMICS

- Challenging geography
- Market transitioning to value-based arrangements, potentially including narrow networks (limited patient choice)
- Concerns about leakage

Anticipate the Impact of Change

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